

Attachment—Additional Questions for the Record
Subcommittee on Communications and Technology
Hearing on
“Preserving an Open Internet for Consumers, Small Businesses, and Free Speech”
February 7, 2019

Mr. Joseph Franell, General Manager and CEO, Eastern Oregon Telecom

The Honorable Greg Walden (R-OR)

- 1. The Chairman of Vermont Telephone Company (VTel), Dr. J. Michel Guité, copied me on a letter to Mr. Welch addressing the issues VTel experiences as a rural broadband provider. The full letter is located at the following link [<https://www.vtelwireless.com/wp-content/uploads/2019/02/Letter-to-Congressman-Peter-Welch-and-Committee-RE-T-Mo-Sprint-2.15.2019.pdf>]. In the letter, Dr. Guité specifically noted the “very direct connection between [its] investments and the light regulatory touch that the current Federal Communications Commission (FCC) instituted starting in 2017.” Dr. Guité said that VTel “would not have made the decision to invest millions of dollars on Ericsson 4G/5G upgrades in the absence of the commitment by the FCC, under Chairman Pai, evidenced by his Internet Freedom and other deregulatory policies, to the economic revival of rural broadband providers.”**

- a. Can you please comment on Dr. Guité’s remarks regarding investment?**

Response: Congressman Walden, I appreciate the follow up question to my testimony on maintaining a free and open Internet.

During the period following the adoption of the FCC’s 2015 Open Internet Order and prior to the announcement in early 2017 by FCC Chairman Pai that he intended to repeal it, new capital was very difficult to obtain. Eastern Oregon Telecom (EOT) was only able to expand infrastructure and capacity using organic resources and an existing line of credit. Even if we had additional sources of capital available, EOT’s board of directors was very cautious and conservative regarding any expansion or additional financial commitments and so would not have taken advantage of them. Instead of expansion, our focus was on cash conservation and debt reduction. Specifically, the uncertainty of the market and the regulatory environment shifted the company’s focus from growth to risk mitigation.

This was a very difficult time in the life of the business. Since EOT was founded with the expressed mission of bringing advanced telecommunications to Eastern Oregon, it was extraordinarily frustrating to see un-met needs in our region and not have the confidence and resources to meet those needs.

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However, within a few months of FCC Chairman Pai's announcement that he intended to repeal the 2015 Open Internet Order and revert to a light touch regulatory framework for the Internet, private equity firms, investors, and banks began openly and sometimes aggressively offering capital. It was as if the financial flood-gates had suddenly opened.

Since the formal repeal of the Open Internet Order, the three C-level employees of EOT (of which I am one) were able to obtain bank financing to purchase the business and have refocused EOT on growth. We now have access to unprecedented levels of capital and are actively planning fiber to the home builds in three additional communities that are currently significantly under-served. Additionally, our strategic plan includes significant growth over the next three to four years that will have a transformative positive impact in rural, rural remote, and frontier areas of the Pacific Northwest.

The possibility of a return to the Title II-based, heavy-handed regulatory framework of the 2015 Open Internet Order is very concerning and would cause us to seriously re-evaluate our plans for the future. At best, it would likely result in a much more conservative growth plan. At worst, it could result in a return to the risk mitigation, status quo approach of a few years ago. That would be a tragedy for rural residents of the Pacific Northwest.

I concur with Dr. Guité's remarks. It seems as if our experiences are similar.

I hope that this answers your question. Feel free to let me know if any additional information is needed.